

## Adopting a Stores System

---

A central stores system enables an LEA to take advantage of the economies of quantity buying and to fill requisitions for standard supplies promptly. However, no set rules can be established to determine when it would be in the best interest of an LEA to adopt a stores system. Availability of material, storage facilities, means of delivering merchandise, and the size and number of plants in an LEA all must be taken into consideration. Costs of receiving, storing, and delivering stock items, as well as costs of stock control, should be included in the total cost of a stores system (as compared to the cost of direct purchasing) in deciding on the desirability of a stores system.

### Methods of Financing, Accounting, and Controlling

Either of two accounting methods may be used:

*Stores Account Method:* The establishment and maintenance of a stores system by the use of a Stores account carried within the General Fund is a long-established practice. Stores accounts may also be maintained within other funds.

*Revolving Fund Method:* Education Code sections 42830—42833 authorize and prescribe procedures for the establishment of a revolving warehouse stock fund for LEAs. Permission is also given for two or more LEAs to establish a common revolving fund for this purpose.

### Types of Supplies in a Stores System

Items purchased for a stores system should be those that are used in sufficient quantity to justify the cost of establishing them as stock items. Initial purchase of a new item should be conservative as to quantity to test its turnover, thereby establishing a basis for determining the quantity needed. Committees composed of users of the various items can be helpful in determining standard items to be warehoused and in encouraging their use. The types of items most frequently stocked are included in the list that follows:

- Instructional supplies, including paper, pencils, chalk, paste, art supplies, and the like
- Office supplies, including typewriter ribbons, duplicating supplies, desk files, and the like
- Custodial supplies

- Maintenance supplies, including lumber, small tools, electrical supplies, paints, sandpaper, and the like
- Food and related supplies
- Printed forms
- Equipment (When it is known that computers, videocassette recorders, scrubbing machines, and other items of equipment will be needed in the near future, it is sometimes economical to purchase this equipment in quantity. It is not recommended that equipment items such as these be maintained on a minimum-maximum basis as are items of supply.)

## Essentials of a Stores System

The essential features that are to be provided in connection with the establishment and operation of a stores system are presented in this section.

### Devices for Control of Purchases

*Provisions for numbering, cataloging, and standardizing stock items.* Printed catalogs that list all items by stock number, unit of issue, description, and unit cost should be available to all who will requisition such items from the warehouse. The catalog should preferably be loose-leaf to allow for replacing pages in the event of substitutions, additions, or deletions.

*Provisions for the addition or deletion of stock items.* A special form may be used to notify all departments concerned of the necessary information regarding the action taken.

*Provisions for minimizing losses because of obsolescence.* Special committees can be helpful in giving information in advance on planned changes in curriculum which will affect the use of supplies already stocked. If it is known that a change is planned, supplies to be discontinued can be allowed to run out without reordering when the stock drops to the minimum.

*Control of maximum and minimum stock balances.* Care should be exercised in the setting of maximum and minimum quantities. Continual study of stock activity and periodic readjustment of the limits set are required because of such conditions as enrollment growth, grade levels of users, changes in curriculum, changes of personnel placing requisitions, and storage capacity. Some items will deteriorate when stored too long; this factor should be considered when placing orders. Very small, inexpensive items should be ordered in adequate supply for anticipated need; more expensive items should be ordered in accordance with conservative estimates of need.

## **Records of Perpetual Inventory**

Individual cards or records that contain the following information should be kept for each item stocked:

1. Identifying stock number
2. Specification of unit of issue
3. Description of item
4. Unit price
5. Posting references: date, document number, and the like
6. Receipts in terms of stock units
7. Issues in terms of stock units
8. Balances on hand in terms of stock units

*Note:* The following additional information on the stock records may be desirable: (1) minimum and maximum quantities to be stocked; (2) reference to vendors from whom stock is purchased; (3) memoranda of orders placed; (4) memoranda of unfilled requisitions; (5) reference to warehouse location of item if the identifying stock number cannot be used for this purpose; and (6) provision for values of receipts, issues, and balances on hand.

## **Verification by Physical Inventory**

Provisions should be made for at least an annual count of all items stocked. This can be done on a cyclical basis, with only a portion of the total stock inventoried each period. This count should be made by persons other than warehouse personnel. In the event warehouse personnel are used to take the count, the record should be spot-checked by persons other than those responsible for stock. A common practice is for the firm performing the LEA's audit to make the spot checks.

## **Security Control and System of Internal Checks**

In planning the stores system, the LEA should make provisions for adequate security of stock and a system of internal checks. Buildings used for warehouse storage should be as fireproof as possible and should have adequate locks. Only specified personnel should be allowed to issue stock. Preferably, the stock records should be maintained in an office removed from the warehouse (stock records are commonly maintained in the accounting or purchasing offices). At inventory time or other periodic checkup time, any difference between the record and actual quantity count should be investigated and necessary adjustments made.

## Planned Procedures for Receiving and Issuing

Procedures for receiving and issuing stock should include the following:

1. Items to be stocked should be purchased by means of an official LEA purchase order issued in compliance with the *Education Code* and the LEA's policies covering bidding and purchasing. An "on order" notation may be made on the individual stock control records at this point. On receipt of merchandise, the items should be counted and inspected for condition and compliance with specifications. The signed receiving copy of the purchase order or other receiving document authorizes payment to the vendor and charge of the cost of the merchandise to the Stores account. Either the receiving document or the payment warrant may be used as the basis for entering receipt of stock by quantity and value on the stock control records that are affected by the purchase.
2. Stores should be issued only on the authority of a properly approved, prenumbered requisition, which should give the following information:
  - Source and date of requisition
  - Delivery instructions
  - Account(s) to be charged
  - Provision for approvals as to budget, items allowed, quantities, and the like
  - Provision for posting reference
  - For each item: quantity ordered, unit stock number, description, unit price, and total dollar amount; and on each requisition, columns for noting substitutions, back orders, and the like
  - Provision for evidence of receipt and date of delivery. A multiple-copy snap-out form is commonly used for warehouse issues, with copies of each transaction being sent to the requisitioner, the warehouseperson, and the recording office. Posting is done from this document to the stock control records.

*Note:* The term *requisition* as used here should be understood to include requisitions, billings, stores invoices, or similar documents for use by certain LEAs that find it desirable to use additional documents between the time of preparation of the requisition for the materials and the actual delivery of these materials to the school or department requesting them.

## **Lines of Authority and Responsibility of Personnel**

Lines of authority and responsibility should follow a logical plan and be clear-cut and definite.

*Note:* In planning the establishment of a stores system, the LEA should consider the location of the warehouse or warehouses and the transmittal of documents between the warehouse and the accounting office. The space requirements, physical requirements for proper storage, and arrangement of stock items should be determined in advance. Stored items should be arranged, when possible, in an order corresponding to their order on standard supply lists.

